



Mobile Broadband Group
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Dear Daniel

Review of television advertising and teleshopping regulation

The Mobile Broadband Group (“MBG”, whose members are O2, Orange, T-Mobile, Virgin Mobile, Vodafone and 3) welcomes the opportunity to submit a response to Ofcom’s “Proposals on advertising distribution, and options for the amount of advertising and teleshopping.”

The MBG’s principal purpose in responding to this consultation is to draw Ofcom’s attention to the emergence of the mobile TV market, as the needs of this particular market segment are not specifically covered in the consultation.

As Ofcom will know, mobile TV services have been present in the UK market for about three years. During this time much has been learnt about what works on mobile and research has identified some of the challenges the industry faces in ensuring the continued growth of mobile TV, including the possibility of generating revenue through advertising.

Initially it was expected that customers’ daily commute would be a peak time for viewing mobile TV but this has not really turned out to be the case. Viewing traffic remains relatively consistent from 9am to 9pm during the week and peaks slightly at the weekend. This is partly down to the appeal of live events and sport. News is also popular.

Some channels are linear simulcasts – the same transmission at the same time as on digital TV – and some are made-for-mobile versions. There is evidence that

customers see Mobile TV as complementary to domestic television and consume it in a more 'snack-like' way. However, emerging customer research shows users may also want more long-form content and the ability to watch it on-demand.

For the most part, Mobile TV is consumed on 3G networks. Trials have been announced for the summer using TDtv spectrum (a currently unused part of the 3G spectrum) and there are a range of possible technologies for broadcast mobile TV, once appropriate spectrum becomes available. Forecasts for likely market penetration vary somewhat but a 'mid-level' estimate is in the region of 1.2 million customers by 2010. The precise future business models are not known but programming is likely to be funded through a combination of subscription and advertising.

As an example mobile operators already offer advertising funded video on demand services which are either entirely free to the customer or heavily subsidised. These services are offered alongside existing subscription based services. Customers are therefore free to choose which funding model they prefer and are made fully aware of the level of advertising they may view.

Experience shows that Customers are willing to accept free services which are sandwiched between advertising spots. Therefore any proposal to limit advertising on looped or streamed mobile channels would inhibit commercial exploitation and make existing services unviable. There is no evidence at this early stage that the consumers are unhappy with the current value proposition..

However, as this is a nascent market and many uncertainties prevail, the MBG urges Ofcom to propose a regime for quantities and distribution of advertising that will not unnecessarily inhibit the development of the mobile TV market. The market is competitive and constrained by the views and opinions of customers. Providers should be able to experiment with new models without unwarranted regulatory interventions. If too much advertising is used, then viewers will simply switch off and providers will be punished in the market. In this pioneering phase, the regulator should not be looking to second guess the market.

Ofcom's current proposals for the distribution of advertising seem reasonable and the MBG therefore supports them. The MBG looks forward to commenting on the rules on quantity of advertising in due course but in general terms, supports as flexible a regime as the Audio Visual Media Service Directive allows.

Yours sincerely,

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